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# FINAL TECHNICAL REPORT

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## Introduction

The USAID-sponsored Monitoring Fiscal responsibility Project had two objectives. The first objective was to monitor government decisions, budgets and policies for adherence to principles of fiscal prudence and good governance, and to provide policy recommendations in support of these aims. The second objective was to Facilitate and promote civil society participation in economic decision-making to encourage inclusion and state accountability to citizens. CaPRI has sought to fulfil the first objective through consistent research and analysis. The second objective has been addressed through various activities including printed publications (which are also freely available on the CaPRI website), press conferences, stake-holder meetings and social media interactions. This report offers a discussion of the activities undertaken to achieve these objectives of the programme.

## Objective 1: Monitoring government decisions and policies and providing recommendations to support these aims

### Legislative Tracker & Structural Benchmarks

In 2012/2013, the Jamaican government sought access to a four-year Extended Loan Arrangement with the International Monetary Fund (IMF) to address worsening economic conditions and avert impending crisis. The programme aimed to reduce macroeconomic vulnerabilities, deepen financial inclusion and improve efficiency. As such, measures to improve fiscal prudence and accountability were specifically included in the agreement. These included specific legislation and structural benchmarks as well as explicit quantitative targets that the Jamaican government was obligated to meet. By reviewing Jamaica's letters of intent submitted to the IMF as well as budgets, budget presentations and public statements by government officials, CaPRI has been able to monitor the government's performance under the agreement. A database of targets and benchmarks was created for monitoring purposes, and synthesised into CaPRI's quarterly publication the *Think Tank* for easy dissemination to the public.

The government has passed all 12 IMF tests to date. The government has consistently met most of their quantitative targets, but having held discussions with the IMF, extended the deadline to achieve a wage to GDP ratio of 9 percent to March 2019. This was largely influenced by salary agreements reached with public sector unions. Policy options such as tax increases and job cuts with the aim of meeting this target were deemed undesirable. An extended deadline was therefore the preferred option.

The Jamaican government has also met targets for passing key legislations designed to improve transparency and efficiency in the public sector. The Banking Services Act, for example, designed to improve the financial regulatory and supervisory framework, was implemented on schedule. Some deadlines were however marginally missed. Overhauling the Customs Act, for instance, had a deadline of June 30, 2015, but was tabled July 7, 2015, just 1 week behind schedule. Nevertheless, the Jamaican government has generally been performing well under the IMF agreement.

Similarly, the Jamaican government has been achieving the structural benchmarks as stipulated in the letters of intent. For example, Jamaica Customs implemented a pilot for the computerised management system, ASYCUDA, to generate trade data that can be used for statistical analyses and improved decision-making. The capacity of the Post-Clearance Audit unit in the Jamaica Customs Agency was also expanded by hiring 15 additional auditors. This is an example of measures taken to improve accountability in government agencies.

Ultimately, the quantitative targets, structural benchmarks and key pieces of legislation identified by the IMF and the Jamaican government has served as good indicators for monitoring fiscal responsibility and transparency. The Jamaican government has largely met these targets on schedule. Jamaica's history of fiscal irresponsibility outside of an IMF programme, in contrast with its performance since 2012, suggests that the active monitoring of the IMF played a key role in Jamaica's level of fiscal prudence and transparency since 2012. This was further aided by the establishment of the Economic Programme Oversight Committee (EPOC), a committee comprising members of the public and private sector, as well as civil society, who actively monitor the achievement of targets laid out in the Memorandum of Economic and Financial Policies (MEFP) for the duration of the IMF programme.

The need to entrench these stable institutions into the society came from discussions held with the private sector, and interest groups. Practices under the International Monetary Fund for example towards fiscal management and stability, which have proved very successful for Jamaica, should be made to form lasting impressions into the regular operations of our institutions. These practices should not share the deadlines of these programmes.

Since the election of the new government there has now been a committee set up for the sole purpose of achieving growth for the country. This pivot towards growth and the need to be growing is believed to encourage, inevitably, a redirection from stability efforts. From the meetings, there was consensus for the need to maintain this financial and macroeconomic stability for the country to have any

possibility of sustaining growth. Stakeholders have identified the need for care to be iterated and emphasized for this new focus, to not diminish the importance of fiscal stability.

### Covenant of Fiscal Responsibility

While monitoring the government's performance under the IMF agreement formed a substantial part of CaPRI's monitoring of government decisions to ensure fiscal prudence and good governance, CaPRI has also undertaken additional research and activities in order to make recommendations to the government to support these aims. One output of this initiative was the *Covenant for Fiscal Responsibility, Social Inclusion and Economic Prosperity for Jamaica*. Amidst speculation of an imminent election, the Covenant, published November 2015, articulated five key principles that were deemed viable points around which both of Jamaica's major political parties could find consensus, irrespective of which party would form the next government. These principles were: (i) fiscal responsibility, (ii) ease of doing business, (iii) privatisation, (iv) price stability and (v) the social safety net. Specific recommendations for ensuring each of these principles were included in the Covenant, and shared with both political parties.

The Covenant received strength from other organisations such as the Jamaica Chamber of Commerce (JCC) and the Private Sector Organisation of Jamaica (PSOJ), who all shared feedback and input into the content of the Covenant, and who also publicly supported the challenge to both parties. The Covenant ultimately represented a significant lobbying effort from a coalition of public and private players as well as civil society.

**Objective 2: Facilitate and promote civil society participation in economic decision-making to encourage inclusion and state accountability to citizens.**

### Think Tank Publications

To disseminate the synthesised analysis of the government's performance under the IMF programme, CaPRI has included the Legislative Tracker and Structural Benchmarks in or quarterly publication, the *Think Tank*. Four publications have been published over the period of this USAID project. Hard copies of the *Think Tank* have been disseminated directly to Ministers of Cabinet and Members of Parliament. The publication has also been shared with the general public through online mediums such as issuu.com and our website.

### Meetings with IMF Mission Team

To foster intimate engagement with the economic decision-making process, CaPRI has also organised a meeting between the private sector and civil society and the IMF mission team which visits the country each quarter. These meetings usually have representatives from government on the panel as well. On average, 67 persons representing at least 20 stakeholder groups attended.

These special meetings, held at the UWI Regional Headquarter, facilitated frank discussions among the private sector, civil society, the IMF team and government officials. A spirit of positive, fruitful openness was encouraged, despite divergent viewpoints that stake-holders have.

The table below presents a summary of the IMF meetings we have hosted over the last year.

Date	Theme	Panellists	# of Participants
7-May-15	A Healthy Labour Force: Increased Productivity	<ul style="list-style-type: none"> <li>Bert Van Selm - IMF Resident Representative for Jamaica</li> <li>Richard Byle - Co-Chair of EPOC</li> <li>John Robinson- Senior Deputy Governor of BOJ</li> <li>Jermaine Harvey - Permanent Secretary in the Ministry of Health</li> <li>Shane Alexis - President of the Jamaica Medical Doctor's Association</li> </ul>	57
18-Aug-15	Medium Term Update on the IMF Programme	<ul style="list-style-type: none"> <li>Dr the Honorable Peter Phillips - Minister of Finance</li> <li>Brian Wynter - Governor of BOJ</li> <li>Uma Ramakrishnan - IMF Country Representative for Jamaica</li> <li>Richard Byle - Co-Chair of EPOC</li> </ul>	78
10-Nov-15	Can the IMF Agreement Survive an Election?	<ul style="list-style-type: none"> <li>Honorable Julian Robinson - State Minister of Science, Technology, Energy and Mining</li> <li>Mrs Fayval Williams - Deputy Opposition Spokesperson on Finance and Planning</li> <li>Dr. Bert Van Selm - IMF Resident Representative in Jamaica</li> <li>Miss Galina Sotirova - World Bank's Country Manager for Jamaica</li> </ul>	58
16-May-16	New Government; Same Programme	<ul style="list-style-type: none"> <li>The Hon. Fayval Williams- State Minister in the Ministry of Finance an Public Affairs</li> <li>Richard Byle - Co-Chair of EPOC</li> <li>Brian Wynter - Governor of BOJ</li> <li>Uma Ramakrishnan - IMF Country Representative for Jamaica</li> </ul>	77
15-Aug-16	What is the role of the Economic Growth Council	<ul style="list-style-type: none"> <li>Dr. Uma Ramakrishnan, Mission Chief, IMF</li> <li>Dr. Constant Lonkeng Ngouana, Resid. Rep. IMF Ja</li> </ul>	68

	(ECG)?	<ul style="list-style-type: none"> <li>• Mr. Richard Byles, Chairman, EPOC</li> <li>• Mr. Brian Wynter, Governor, BOJ</li> <li>• Mr. Michael Lee-Chin, Chairman, EGC</li> <li>• Dr. Nigel Clarke, Ambassador Plenipotentiary for Economic Growth, EGC</li> </ul>	
		<b>Total</b>	332
		<b>Average</b>	~68

### Press Conference on Covenant for Fiscal Responsibility

On November 26, 2015, the *Covenant for Fiscal Responsibility, Social Inclusion and Economic Prosperity for Jamaica* was launched, following a series of dialogues with several private and civil society stake-holders. The widely publicised [press conference](#) was covered by several news agencies including Television Jamaica, CVM TV, Nationwide 90 FM, the Jamaica Gleaner and the Jamaica observer. The radio and television media featured the covenant during prime time, and together with print media, granted massive coverage to the entire country. While CaPRI utilised its research to frame the covenant and was responsible for initiating dialogue and publishing the Covenant, the reach of the Covenant initiative was bolstered by the combined support of other organisations such as the Jamaica Chamber of Commerce (JCC), the Private Sector Organisation of Jamaica (PSOJ), the Jamaica Manufacturers Association (JMA) and the Jamaica Civil Society Coalition (JCSC). The Jamaica Labour Party (JLP), which has formed the new government, had given a firm commitment to the Covenant. The People’s National Party (PNP), however, had given no public commitment.

Having commitments from the leaders/politicians towards implementing policies such as those recommended in the covenant is an important element in restoring confidence in Jamaican and international partners. The private sector have communicated uncertainty of whether or not government officials are dedicated and committed to do what have been promised. The concern has been due to past policies for which the government has committed and is still yet to be implemented.

### Commenting on JLP’s Proposed Tax Plan

During the 2015/16 election campaigns, the Jamaica Labour Party proposed to eliminate income tax for persons earning above \$1.5 million annually, with a tiered income tax regime for Jamaicans earning above that threshold. Through social media and public event engagements, CaPRI weighed in on the issue (as did many other commentators). While arguing that a move towards a more

consumption-based tax system is a more progressive move for the country, we have insisted that the proposed policy for income taxes, was not fiscally responsible, and exacerbating this irresponsibility was the proposed tiered approach which at this time would further complicate the tax system.

Following mounting pressure from civil society, private sector and the general public, the JLP has since revised its plan, reducing the target in the first year to one million dollars and abandoning the plan for a tiered income tax system. This plan has now left a gap in the projected revenues, which is a short term obligation to be filled, by some other means.

#### Activities through Non-Traditional Media

The use of social media as a platform for political agendas has grown significantly over the past four years. Noticing this trend, CaPRI has increased its social media advocacy to build public awareness and help to foster greater participation in the decision-making process. With each publication or initiative, there is a deliberate social media campaign to disseminate the content of our publications in smaller, more palatable sizes for our target audience.

Based on social media analytics, our efforts have been reaping growing success. Our base audience, for example, has been growing by an average of 8 per cent per month over the past year. Our tweet impressions have been 26,000 per month with a growth rate of 102 per cent over the same period. Our social media engagement via Facebook is approximately 30,000 on average. Our website visits have averaged at 638 visits per month. Ultimately, based on our engagement on social media and our website, we have concluded that Jamaicans are becoming more engaged in the decision-making process, stimulating greater efforts to improve government accountability, transparency and fiscal responsibility. It has also demonstrated the need to consistently condense the outcomes of our research initiatives into short content, usually info-graphics and multi-media content, compatible with mobile devices.

#### Conclusion

In conclusion, the USAID funded project, Monitoring Fiscal Responsibility, set out to achieve two objectives. The first objective was to monitor government decisions and policies to adhere to principles of good governance. This was accomplished by monitoring the government's performance under the Extended Loan Arrangement with the International Monetary Fund and by canvassing the government's budget and announced policies. Findings were mainly disseminated through quarterly publications. The second objective was to facilitate and promote civil society participation in the decision-making process. Through press conferences, quarterly IMF meetings, website publications

and social media engagement, this objective was achieved. CaPRI will ultimately continue to have these forms of engagement which form a critical part of our core mandate.